Preface

Rapid economic growth in East Asia was initiated by Japan's post-war industrialization and expansion of exports to the world. Japan's export-led growth model was adopted shortly afterwards in the 1960s by the first tier of the Newly Industrialized Countries (NICs). The original members of the Association of Southeast Asian Nations (ASEAN), sometimes called the second tier of the NICs, arguably replicated the export-promotion strategy of Japan and the first tier of the NICs, and have thereby experienced modest strong economic growth since the 1970s. After its economic reform and openness in 1979, China shifted from being a self-sufficient and autarchic economy to instead depend on trade. These three groups of countries – the industrialized Japan, the first tier of the NICs, and the second tier of the NICs plus China – dominated the economic dynamism of East Asia for more than half of a century from 1960 to 2010 and have become major trading countries in the world economy in the 21st century.

Over decades of export-led growth, East and Southeast Asian countries have generated not only impressive records of GDP growth and trade, but also industrial developments, which have structurally transformed their economies with various degrees of success. Though there is no consensus on East Asian models of development, most developmental economists tend to believe that trade is the engine of growth in the region and reject the trade pessimism school of thought, which is probably more relevant to other developing countries. The development of East and Southeast Asia through the growth of trade provides researchers with an excellent laboratory for theoretical and empirical analyses of various theories such as the factor endowment theory, Heckscher–Ohlin–Samuelson, product life cycle and modern, non-factor, technological determinism of international trade.

The formation of a trade–investment nexus in the region in the 1980s and the accompanying evolution of global supply chains in the manufacturing sector also provided those trade-dependent countries in Asia with new, dynamic comparative advantages at various stages of manufactured production and thereby new opportunities to participate in the world economy. After the 1990s, those East and Southeast Asian economies were integrated into the global production network in accordance with their degrees of industrial development and technological sophistication.

The subsequent proliferation of free trade agreements led to the emergence of several trade blocs during a period of already rising East Asian regionalism, which advanced especially after the Asian financial crisis of 1997–98. Nevertheless, East Asia relies much more on OECD markets as the destinations for its exports, especially final goods, than on its local markets. As East Asian countries continued to become more dependent on external markets for their exports, the swollen trade imbalances between them and the United States led to greater global imbalances which aggravated the worldwide recession of 2008–10.

This book analyses trade and industrial development in East and Southeast Asian countries since the 1960s. It is the culmination of my research since I began to study economic development in East Asia. With more than a quarter century of the prime of my life devoted to teaching international economics and economic development courses at the City College and the Graduate Center of the City University of New York, I have benefited from the intellectual interactions with numerous students and colleagues. In working on this book, I especially benefited from the research assistance of several students. I am grateful for the excellent computational research assistance of Ramazan Altindag, Minchul Kim, Suelyman Taspinsar and Bilesha Weerarratne at the Graduate Center, and the editorial and computer graphic assistance of Jimmie He, Brian Mattys, and Jan Stepinski at the City College. A special thanks is due to Robert E. Lipsey at the National Bureau of Economic Research, who generously provided me with the NBER-UN trade data when it was not accessible to the general public. He even promised to write a foreword essay for this book if he had the time to read the manuscript. Unfortunately, his untimely death in August 2011 left that space vacant. Finally, I would like to give my thanks to all members of my family. Without the companionship of my wife and my children, this book would have been impossible. I am grateful for all of their support.

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